

SECOND REGULAR SESSION
[PERFECTED]
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 1605
98TH GENERAL ASSEMBLY

4958H.02P

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To amend chapters 135 and 143, RSMo, by adding thereto four new sections relating to tax incentives and tax credits.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapters 135 and 143, RSMo, are amended by adding thereto four new sections, to be known as sections 135.760, 135.1160, 135.1910, and 143.1100, to read as follows:

135.760. 1. This section shall be known and may be cited as the "Missouri Earned Income Tax Credit Act".

2. For purposes of this section, the following terms mean:

(1) "Department", the department of revenue;

(2) "Eligible taxpayer", a resident individual with a filing status of single, head of household, widowed, or married filing combined that is subject to the tax imposed under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265 and who is allowed a federal earned income tax credit under Section 32 of the Internal Revenue Code of 1986, as amended;

(3) "Qualifying child", a dependent child for whom the taxpayer is entitled to a dependency deduction for federal income tax purposes;

(4) "Tax credit", a credit against the tax otherwise due under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265.

3. For all tax years beginning on or after January 1, 2017, an eligible taxpayer shall be allowed a tax credit in the amount equal to twenty percent of the allowable federal earned income tax credit. The tax credit allowed by this section shall be claimed by such

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

17 taxpayer at the time such taxpayer files a return and shall be applied against the income
18 tax liability imposed by chapter 143 after reduction for all other credits allowed thereon.
19 If the amount of the credit exceeds the tax liability, the difference shall not be refunded to
20 the taxpayer nor shall it be carried forward to any subsequent tax year.

21 4. Notwithstanding the provision of subsection 4 of section 32.057 to the contrary,
22 the department of revenue or any duly authorized employee or agent shall determine
23 whether any taxpayer filing a report or return with the department of revenue who has not
24 applied for the credit allowed under this section may qualify for the credit and shall notify
25 any qualified claimant of the claimant's potential eligibility if the department determines
26 such potential eligibility exists. In making a determination of eligibility under this section,
27 the department shall use any appropriate and available data including, but not limited to,
28 data available from the Internal Revenue Service, the U.S. Department of Treasury, and
29 state income tax returns from previous tax years.

30 5. The department shall prepare an annual report containing statistical information
31 regarding the tax credits issued under this section for the previous tax year, including the
32 total amount of revenue expended on the earned income tax credit, the number of credits
33 claimed, and the average value of the credits issued to taxpayers whose earned income falls
34 within various income ranges determined by the department.

35 6. The department shall contract with one or more nonprofit groups to provide
36 notice of the earned income tax credit to eligible taxpayers. The department shall require
37 evidence of the effectiveness of the nonprofit group, the connection with the community in
38 which the group operates, and the ability to contact taxpayers that are unlikely to claim
39 the federal earned income tax credit including, but not limited to, non-English speakers,
40 elderly, tenants, and very low-income taxpayers who do not file tax returns annually. The
41 department shall give preference to nonprofit groups with members in low- and moderate-
42 income areas, nonprofit groups with at least fifty-one percent of the board of directors
43 having low- to moderate-incomes and residents of target communities, and to nonprofit
44 groups that have a record of effective door-to-door outreach for similar community
45 projects.

46 7. The director of the department of revenue shall promulgate rules and regulations
47 to administer the provisions of this section. Any rule or portion of a rule, as that term is
48 defined in section 536.010, that is created under the authority delegated in this section shall
49 become effective only if it complies with and is subject to all of the provisions of chapter
50 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable, and
51 if any of the powers vested with the general assembly pursuant to chapter 536 to review,
52 to delay the effective date, or to disapprove and annul a rule are subsequently held

53 unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted
54 after August 28, 2016, shall be invalid and void.

55 8. Under section 23.253 of the Missouri sunset act:

56 (1) The provisions of the new program authorized under this section shall
57 automatically sunset on December thirty-first six years after the effective date of this
58 section unless reauthorized by an act of the general assembly; and

59 (2) If such program is reauthorized, the program authorized under this section
60 shall automatically sunset on December thirty- first twelve years after the effective date of
61 the reauthorization of this section; and

62 (3) This section shall terminate on September first of the calendar year immediately
63 following the calendar year in which the program authorized under this section is sunset.

135.1160. 1. As used in this section, the following terms mean:

2 (1) "Eligible costs", the purchase costs of materials or labor for cabinets, carpentry,
3 carpeting, ceramic tile, concrete, counter and vanity tops, drywall, electrical work, exterior
4 siding, heating and cooling, insulation, masonry, painting, plaster, plumbing, plumbing
5 fixtures, roofing, tuckpointing, waterproofing, windows, and wood flooring;

6 (2) "Tax credit", a credit against the tax otherwise due under chapter 143,
7 excluding withholding tax under sections 143.191 to 143.265;

8 (3) "Taxpayer", any individual subject to the tax imposed under chapter 143,
9 excluding withholding tax under sections 143.191 to 143.265, who owns a multifamily
10 dwelling or residence with at least two or more units that is operated as rental property,
11 who renovates the rental property, and who lives in one of the units in the renovated rented
12 dwelling or residence.

13 2. For all tax years beginning on or after January 1, 2017, a taxpayer shall be
14 allowed a tax credit for eligible costs incurred in renovating the taxpayer's rented dwelling
15 or residence. The tax credit amount shall be equal to twenty percent of such eligible costs,
16 but shall not exceed two thousand five hundred dollars per taxpayer. The amount of the
17 tax credit issued shall not exceed the amount of the taxpayer's state tax liability for the tax
18 year for which the credit is claimed. If the amount of the tax credit allowed exceeds the
19 amount of the taxpayer's state tax liability for the tax year for which the credit is claimed,
20 the difference shall not be refundable but may be carried forward to any of the taxpayer's
21 three subsequent tax years. No tax credit issued under this section shall be transferred,
22 sold, or assigned. The aggregate amount of tax credits that may be issued under this
23 section in any one fiscal year shall not exceed five million dollars. The tax credits issued
24 under this section shall be issued on a first-come, first-served filing basis.

25 3. To claim the tax credit allowed under this section, the taxpayer shall include with
26 the taxpayer's income tax return any documentation and information required by the
27 department to verify that the taxpayer has actually incurred the eligible costs.

28 4. The department of revenue may promulgate rules to implement the provisions
29 of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that
30 is created under the authority delegated in this section shall become effective only if it
31 complies with and is subject to all of the provisions of chapter 536 and, if applicable,
32 section 536.028. This section and chapter 536 are nonseverable, and if any of the powers
33 vested with the general assembly pursuant to chapter 536 to review, to delay the effective
34 date, or to disapprove and annul a rule are subsequently held unconstitutional, then the
35 grant of rulemaking authority and any rule proposed or adopted after August 28, 2016,
36 shall be invalid and void.

37 5. Under section 23.253 of the Missouri sunset act:

38 (1) The provisions of the new program authorized under this section shall
39 automatically sunset on December thirty-first six years after the effective date of this
40 section unless reauthorized by an act of the general assembly;

41 (2) If such program is reauthorized, the program authorized under this section
42 shall automatically sunset on December thirty-first twelve years after the effective date of
43 the reauthorization of this section; and

44 (3) This section shall terminate on September first of the calendar year immediately
45 following the calendar year in which the program authorized under this section is sunset.

135.1910. 1. As used in this section, the following terms mean:

2 (1) "Contribution", a donation of cash; stock, bonds, or other marketable
3 securities; or real property;

4 (2) "Director", the director of the department of social services;

5 (3) "Qualified organization", an organization that provides funding for unmet
6 health, hunger, and hygiene needs for children in school;

7 (4) "State tax liability", in the case of a business taxpayer, any liability incurred by
8 such taxpayer under the provisions of chapters 143, 148, and 153, excluding sections
9 143.191 to 143.265 and related provisions, and in the case of an individual taxpayer, any
10 liability incurred by such taxpayer under the provisions of chapter 143, excluding sections
11 143.191 to 143.265 and related provisions;

12 (5) "Taxpayer", a person, firm, a partner in a firm, corporation, or a shareholder
13 in an S corporation doing business in the state of Missouri and subject to the state income
14 tax imposed under the provisions of chapter 143; an insurance company paying an annual
15 tax on its gross premium receipts in this state, or other financial institution paying taxes

16 to the state of Missouri or any political subdivision of this state under the provisions of
17 chapter 148; an express company which pays an annual tax on its gross receipts in this
18 state under chapter 153; an individual subject to the state income tax imposed under the
19 provisions of chapter 143; or any charitable organization that is exempt from federal
20 income tax and whose Missouri unrelated business taxable income, if any, would be subject
21 to the state income tax imposed under chapter 143.

22 2. For all tax years beginning on or after January 1, 2017, a taxpayer shall be
23 allowed to claim a tax credit against the taxpayer's state tax liability in an amount equal
24 to fifty percent of the taxpayer's contribution to a qualified organization. The qualified
25 organization shall use the taxpayer's contribution solely for the unmet health, hunger, and
26 hygiene needs of children in school.

27 3. The amount of the tax credit claimed shall not exceed the amount of the
28 taxpayer's state tax liability for the taxable year for which the credit is claimed, and such
29 taxpayer shall not be allowed to claim a tax credit in excess of fifty thousand dollars per
30 taxable year. However, any tax credit that cannot be claimed in the taxable year in which
31 the contribution was made may be carried over to the next four succeeding taxable years
32 until the full credit has been claimed.

33 4. Except for any excess credit that is carried over under subsection 3 of this
34 section, a taxpayer shall not be allowed to claim a tax credit unless the total amount of such
35 taxpayer's contribution or contributions to a qualified organization or organizations in
36 such taxpayer's taxable year has a value of at least one hundred dollars.

37 5. The director shall determine, at least annually, which organizations in this state
38 may be classified as qualified organizations. The director may require of an organization
39 seeking to be classified as a qualified organization whatever information that is reasonably
40 necessary to make such a determination. The director shall classify an organization as a
41 qualified organization if such organization meets the definition set forth in subsection 1 of
42 this section.

43 6. The director shall establish a procedure by which a taxpayer can determine if
44 an organization has been classified as a qualified organization. Qualified organizations
45 shall be permitted to decline a contribution from a taxpayer. To claim the tax credit
46 authorized in this section, a qualified organization may submit to the department an
47 application for the tax credit authorized by this section on behalf of taxpayers. The
48 department shall verify that the qualified organization has submitted the following items
49 accurately and completely:

50 (1) A valid application in the form and format required by the department;

(2) A statement attesting to the contribution received, which shall include the name and taxpayer identification number of the individual making the contribution, the amount of the contribution, and the date the contribution was received by the provider; and

(3) Payment from the qualified organization equal to the value of the tax credit for which application is made.

If the provider applying for the tax credit meets all criteria required by this subsection, the department shall issue a certificate in the appropriate amount.

7. Each qualified organization shall provide information to the director concerning the identity of each taxpayer making a contribution to the qualified organization who is claiming a tax credit under this section and the amount of the contribution. The director shall provide the information to the director of revenue. The director shall be subject to the confidentiality and penalty provisions of section 32.057 relating to the disclosure of tax information.

8. The provisions of this section shall not be construed to limit or in any way impair the department's ability to issue tax credits authorized on or before the date the program authorized under this section expires or a taxpayer's ability to redeem such tax credits.

9. Under section 23.253 of the Missouri sunset act:

(1) The program established under this section shall automatically expire on December 31, 2022, unless reauthorized by an act of the general assembly;

(2) If such program is reauthorized, the program authorized under this section shall automatically sunset twelve years after the effective date of the reauthorization of this section; and

(3) This section shall terminate on September first of the calendar year immediately following the calendar year in which a program authorized under this section is sunset.

143.1100. 1. This section shall be known and may be cited as the "Bring Jobs Home Act".

2. As used in this section, the following terms shall mean:

(1) "Business unit":

(a) Any trade or business; and

(b) Any line of business or function unit which is part of any trade or business;

(2) "Deduction":

(a) For individuals, an amount subtracted from the taxpayer's Missouri adjusted gross income to determine Missouri taxable income for the tax year in which such deduction is claimed; and

11 (b) For corporations, an amount subtracted from the taxpayer's Federal taxable
12 income to determine Missouri taxable income for the tax year in which such deduction is
13 claimed;

14 (3) "Department", the department of economic development;

15 (4) "Eligible expenses":

16 (a) Any amount for which a deduction is allowed to the taxpayer under Section 162
17 of the Internal Revenue Code of 1986, as amended, provided that such amounts shall be
18 deductible to the extent that such amounts are not deducted on the taxpayer's federal
19 income tax return for that taxable year; and

20 (b) Permit and license fees, lease brokerage fees, equipment installation costs, and
21 other similar expenses, provided that such expenses shall be deductible to the extent that
22 such expenses are not deducted on the taxpayer's federal income tax return for the taxable
23 year;

24 (5) "Eligible insourcing expenses":

25 (a) Eligible expenses paid or incurred by the taxpayer in connection with the
26 elimination of any business unit of the taxpayer or of any member of any expanded
27 affiliated group in which the taxpayer is also a member located outside the state of
28 Missouri; and

29 (b) Eligible expenses paid or incurred by the taxpayer in connection with the
30 establishment of any business unit of the taxpayer or of any member of any expanded
31 affiliated group in which the taxpayer is also a member located within the state of Missouri
32 if such establishment constitutes the relocation of the business unit so eliminated.

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34 For purposes of this subdivision, expenses shall be eligible if such elimination of the
35 business unit in another state or country occurs in a different taxable year from the
36 establishment of the business unit in Missouri;

37 (6) "Expanded affiliated group", an affiliated group as defined under Section
38 1504(a) of the Internal Revenue Code of 1986, as amended, except to be determined
39 without regard to Section 1504(b)(3) of the Internal Revenue Code of 1986, as amended,
40 and determined by substituting "at least eighty percent" with "more than fifty percent"
41 each place the phrase appears under Section 1504(a) of the Internal Revenue Code of 1986,
42 as amended. A partnership or any other entity other than a corporation shall be treated
43 as a member of an expanded affiliated group if such entity is controlled by members of
44 such group including any entity treated as a member of such group by reason of this
45 subdivision;

(7) "Full-time equivalent employee", a number of employees equal to the number determined by dividing the total number of hours of service for which wages were paid by the employer to employees during the taxable year, by two thousand eighty;

(8) "Insourcing plan", a written plan to carry out the establishment of a business unit in Missouri as described in subdivision (5) of this subsection;

(9) "Taxpayer", any individual, firm, partner in a firm, corporation, partnership, shareholder in an S corporation, or member of a limited liability company subject to the income tax imposed under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265.

3. For all taxable years beginning on or after January 1, 2016, a taxpayer shall be allowed a deduction equal to fifty percent of the taxpayer's eligible insourcing expenses in the taxable year chosen under subsection 5 of this section. The amount of the deduction claimed shall not exceed the amount of:

(1) For individuals, the taxpayer's Missouri adjusted gross income for the taxable year the deduction is claimed; and

(2) For corporations, the taxpayer's Missouri taxable income for the taxable year the deduction is claimed.

However, any amount of the deduction that cannot be claimed in the taxable year may be carried over to the next five succeeding taxable years until the full deduction has been claimed.

4. No deduction shall be allowed under this section until the department determines that the number of full-time equivalent employees of the taxpayer in the taxable year the deduction is claimed exceeds the number of full-time equivalent employees of the taxpayer in the taxable year prior to the taxpayer incurring any eligible insourcing expenses.

5. Only eligible insourcing expenses that occur in the taxable year such expenses are paid or incurred and:

(1) The taxpayer's insourcing plan is completed; or

(2) The first taxable year after the taxpayer's insourcing plan is completed;

shall be used to calculate the deduction allowed under this section.

6. Notwithstanding any other provision of law to the contrary, no deduction shall be allowed for any expenses incurred due to dissolving a business unit in Missouri and relocating such business unit to another state.

7. The total amount of deductions authorized under this section shall not exceed five million dollars in any taxable year. In the event that more than five million dollars in

82 deductions are claimed in a taxable year, deductions shall be issued on a first-come, first-
83 served filing basis.

84 8. A taxpayer who receives a deduction under the provisions of this section shall
85 be ineligible to receive incentives under the provisions of any other state tax deduction
86 program for the same expenses incurred.

87 9. Any taxpayer allowed a deduction under this section who, within ten years of
88 receiving such deduction, eliminates the business unit for which the deduction was allowed
89 shall repay the amount of tax savings realized from the deduction to the state, prorated by
90 the number of years the business unit was in this state.

91 10. The department of economic development and the department of revenue shall
92 promulgate rules to implement the provisions of this section. Any rule or portion of a rule,
93 as that term is defined in section 536.010, that is created under the authority delegated in
94 this section shall become effective only if it complies with and is subject to all of the
95 provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536
96 are nonseverable, and if any of the powers vested with the general assembly pursuant to
97 chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are
98 subsequently held unconstitutional, then the grant of rulemaking authority and any rule
99 proposed or adopted after August 28, 2016, shall be invalid and void.

100 11. Under section 23.253 of the Missouri sunset act:

101 (1) The provisions of the new program authorized under this section shall
102 automatically sunset six years after the effective date, unless reauthorized by an act of the
103 general assembly; and

104 (2) If such program is reauthorized, the program authorized under this section
105 shall automatically sunset twelve years after the effective date of the reauthorization of this
106 section; and

107 (3) This section shall terminate on September first of the calendar year immediately
108 following the calendar year in which the program authorized under this section is sunset.

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